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19 July 1962

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CENTRAL INTELLIGENCE BULLETIN



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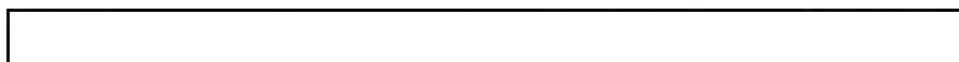
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West New Guinea:

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The Dutch delegate on 13 July refused a demand for direct transfer, and The Hague can be expected to continue to reject such a proposal.

Subandrio had told Ambassador Jones on 16 July that he was not coming to Washington with an ultimatum but would demand an "acceleration" of the transfer of West New Guinea's administration to Indonesia. He said Sukarno wanted him to return to Djakarta no later than 5 August.

There are continuing plans for relatively large-scale Indonesian military action in early August.

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USSR-Indonesia: The announcement that Soviet First Deputy Premier Mikoyan will visit Indonesia on 21 July probably reflects Soviet concern over the current situation. [The composition of the delegation suggests that one subject of discussion will be Indonesia's deteriorating economic situation and its difficulties in meeting payments for previous Soviet assistance.] The high-level Foreign Ministry officials accompanying Mikoyan will probably discuss the state of Indonesia's negotiations with the Dutch over West New Guinea and may seek assurances that these negotiations, encouraged by the US, do not reflect a change in Indonesia's attitude toward the USSR. [A delegation of this stature could also discuss long-range aspects of relations between the two countries, particularly in light of Moscow's continued willingness to provide Djakarta with complicated and extremely expensive military items despite Diakarta's heavy indebtedness.]

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*Peru: The military junta which yesterday forcefully removed President Prado from office and seized control of the government appears firmly in control. Only minor protest demonstrations have been reported thus far. Additional demonstrations, possibly including widespread strikes, are likely. Barring an unexpected split among the armed forces, however, the new regime probably will be able to contain any outbreaks of trouble.

The cabinet installed yesterday consists entirely of military men without prior experience in political office. Its first act was to annul the controversial 10 June elections in which none of the presidential contenders received the one third of the vote necessary for election. The military, concerned particularly with keeping Haya de la Torre's APRA party out of the government, had previously charged these elections were characterized by "massive fraud," and the immediate cause of yesterday's takeover was Prado's insistence on constitutional procedures and refusal to annul the elections.

Junta leader General Ricardo Perez-Godoy has promised new elections in June 1963. He also insists that the junta members are confident the US will "applaud" their action once the "true facts" are made known.

Prado and several other members of his government reportedly are being held on a navy ship not far from Lima, and may soon be forced into exile. Reports vary on the whereabouts of presidential contenders Manuel Odria and Haya de la Torre; some say they have taken asylum at foreign embassies. The other major presidential candidate in the 10 June elections, Fernando

Belaunde Terry, issued a statement from Arequipa yesterday expressing approval of the military take-over and stating that events had proved his charges of electoral fraud.

The coup in Lima brought prompt and strongly adverse reactions from much of Latin America. By late yesterday at least five Latin American nations-- Colombia, Costa Rica, Dominican Republic, Honduras, and Venezuela--had announced that they were suspending diplomatic relations with Peru. A number of others apparently were considering similar action. Venezuelan President Betancourt has urged that a meeting of foreign ministers of the Organization of American States be convoked to consider the Peruvian situation. []

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Iran: The Shah's acceptance of Prime Minister Amini's resignation may mark the end of postwar Iran's first serious economic and social reform program. It may also signal the return of the Shah to active day-to-day involvement in government operations. He had long been lukewarm in his support of Amini, and any new appointee is likely to be more under his thumb than was Amini.

Amini said he resigned because he was unable to present a balanced budget; he charged that American refusal to provide necessary financial aid made his position untenable. Amini has agreed to remain as a caretaker until the Shah appoints a new prime minister. It is likely that any new government will find it difficult to continue a reform program.

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Thailand: [There is widespread discontent in Thai official circles over Thailand's exposed position in Southeast Asia and its relations with the West. Senior Thai political and military leaders, concerned over the Laotian settlement and angered by the loss of the border temple case in the International Court, feel that Thailand has been let down by its Western allies. As a protest gesture the foreign minister refused to attend the Laos Conference in Geneva, and Prime Minister Sarit has publicly warned that further US military aid to Cambodia would have "serious repercussions" in Thailand. Although Sarit appears to be in firm control of his government, he may be considering reshuffling his cabinet and possibly modifying Thai foreign policy in the direction of neutrality.]

[Thailand's discontent with its relations with the West has previously taken two apparently contradictory forms: demands for bilateral defense treaties as a substitute for SEATO protection, and threats of rapprochement with the Soviet Union and the establishment of a neutralist foreign policy. While some Thai leaders are suggesting that improved relations with Communist China may become necessary, Thailand's long-standing fear of Chinese domination makes this unlikely. Nevertheless, Thailand's relations with the West are likely to become increasingly difficult.]

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Cairo Conference: [The ten-day conference of economic ministers and specialists from 35 "developing" countries which ended in Cairo on 18 July maintained, for the most part, a constructive approach toward a wide range of problems. Most delegates used non-political terms in expressing their concern over the possible disrupting effect the European Common Market would have on their nations' established trade patterns, over the future price structure of their nations' agricultural and raw material exports, and over the need for expanded aid from more advanced countries. The Cuban delegate, by contrast, delivered an impassioned anti-US speech and persistently demanded that the final conference declaration contain a denunciation of imperialism, colonialism, neocolonialism, and economic aggression and blockade by "imperialist countries." These demands received virtually no support and were rejected.]

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Albania-USSR-China: Albanian Premier Mehmet Shehu's public criticism of Khrushchev--the first in several months--in a speech to the Albanian National Assembly on 16 July indicates that no improvement in Soviet-Albanian relations has occurred. Shehu charged Khrushchev and the Soviet leadership with carrying ideological differences "rapidly and brutally" into the sphere of state relations by organizing a political and economic "blockade" and by breaking off diplomatic relations.

Shehu qualified his thanks to the USSR and the "socialist camp" for past economic assistance by carefully attributing Soviet aid to the friendship of the Soviet "people" for Albania. He spoke frequently of Tirana's membership in the "camp" and the Warsaw Pact but--by omission--implicitly acknowledged that Tirana has ceased to be a participating member in the bloc's economic organization, CEMA. The speech also contained several paragraphs of effusive praise for Communist China and Mao Tse-tung.

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USSR-Cuba: The USSR's failure to issue a communiqué at the conclusion of Raul Castro's talks in Moscow or to publicize his departure is in sharp contrast to the attention given his arrival on 2 July and his subsequent meetings with Soviet leaders, including Khrushchev. According to Radio Havana, Castro arrived in Havana on 17 July.

The composition of Castro's delegation strongly suggested that its primary purpose was to negotiate for additional Soviet military aid. The circumstances of his departure imply that difficulties developed during the negotiations; Moscow may have rejected new Cuban requests for advanced military equipment or a possible Cuban plea for a firmer Soviet defense commitment. There has been no indication that all of the mission has returned to Cuba, and negotiations could be continuing on a lower level.

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USSR: The replacement of USSR State Planning Committee (Gosplan) chairman V. N. Novikov--announced on 17 July--probably reflects the continuing investment difficulties in the Soviet Union. The choice of a construction expert, V. E. Dymshits, as the new chairman may mean that Gosplan will give more attention to construction, which continues to be a major investment problem.

Investment problems have been increasing in the USSR in recent years, basically because of competition among the military establishment, heavy industry, housing, and agriculture, for certain key resources. As a result, planning and supply problems have been compounded and the rate of increase in investment has dropped sharply since 1960. Gosplan has been criticized frequently in the past year for various disruptions in the economy--most recently in regard to the poor supply of agricultural machinery to Kazakhstan.

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Great Britain: [Ambassador Bruce notes that the substantially new government Macmillan has created in midterm puts greater stress on youth, individuality, and intellectual competence in all ranks, particularly at the sub-cabinet level. The "ruthless wielding" of the ax has created some resentment, particularly over the summary dismissal of Chancellor of the Exchequer Selwyn Lloyd. The Conservatives remain sharply divided over the future of Lloyd's policy of wage restraint and severely controlled credit.]

[Bruce believes the immediate problem for the Conservatives is to convey their "new image" to the electorate quickly. The prime minister has gambled on the political effectiveness of the drastic shake-up, but there is little time to make an impact before the three by-elections scheduled for this fall. If the new by-elections continue the series of reverses and humiliations for the Conservatives, their party and Macmillan in particular will be in serious trouble.]

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